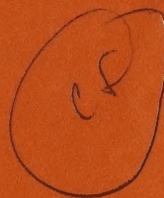


AR14



*"Developing
Canada's
Resources"*



CENTRAL-DEL RIO OILS LIMITED

**INTERIM REPORT
NINE MONTHS AND
THIRD QUARTER 1969**

736 EIGHTH AVENUE SOUTH WEST
CALGARY 2, ALBERTA

CENTRAL-DEL RIO OILS LIMITED

TO THE SHAREHOLDERS:

Following your approval on September 29 of the Company's acquisition of Canadian Pacific Oil and Gas Limited all necessary steps were taken to give full effect to that decision, and Canadian Pacific Oil and Gas is now a wholly-owned subsidiary of Central-Del Rio. The two companies, taken together, represent a large and well balanced undertaking, with land holdings, cash generation and the staff necessary to carry on an extensive exploration program.

A number of changes have been made recently in the directorate and management of Central-Del Rio. Neil McQueen, founder and a senior executive of the Company for over twenty years, was appointed to the honorary and senior advisory position of Chairman Emeritus following his resignation, due to ill health, as Chairman of the Board and a director of the Company. R. C. Carlile, who became a Central-Del Rio director shortly after the Company's inception in 1947, has also resigned from the Board. The contributions made by these men have been indispensable to the growth of your Company and their resignations have been accepted with regret.

John F. Hardy, formerly President, has become Chairman of the Board of the Company and of Canadian Pacific Oil and Gas Limited, while John M. Taylor, until recently Vice President and General Manager of Canadian Pacific Oil and Gas, has been named President and Chief Executive Officer of both companies. Ian D. Sinclair, Q.C., President of Canadian Pacific Railway Company and a Vice President of Canadian Pacific Oil and Gas, has become a Vice President of Central-Del Rio, and M. C. McKinnon, continuing as Executive Vice President of Central-Del Rio, has been appointed to the same position in Canadian Pacific Oil and Gas. Mr. Hardy, Mr. Taylor and H. M. Pickard, make up the Executive Committee of Central-Del Rio. The Boards of the two oil companies are now comprised of John F. Hardy, M. C. McKinnon, H. M. Pickard, D. L. Redman, J. C. Ross, Ian D. Sinclair, Q.C., F. V. Stone, John M. Taylor and G. J. van den Berg. Integration of the staffs of the two companies is now under way.

At a meeting today, Central-Del Rio's newly constituted Board of Directors declared a dividend of 17 cents per share, payable on December 30, 1969 to shareholders of record on December 2. This is in addition to the 10 cent per share dividend paid in June, 1969.

As shown in the accompanying financial statements, which combine the accounts of Central-Del Rio and Canadian Pacific Oil and Gas, gross income

of \$25,552,249 for the first three quarters of 1969 was fractionally below the figure for the same period of 1968. This was largely due to reduced prices obtained on sulphur sales during the current year because of the persisting worldwide oversupply of that commodity.

Cash generated from operations amounted to \$20,282,909, or 67 cents per share, as compared with \$21,260,406, or 70 cents per share, in the nine months ended September 30, 1968. The $4\frac{1}{2}\%$ decrease was caused mainly by higher production expenses and interest charges.

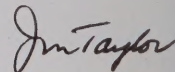
Net income, after write-off for depletion and depreciation and provision for income taxes, was \$9,751,389 (32 cents per share), down 5% from the \$10,259,665 (34 cents per share) realized in the first three quarters of last year.

Production of crude oil and natural gas liquids averaged 24,282 barrels daily for the nine-month period, up nearly 550 barrels per day, while natural gas sales rose 28% to a daily average of more than 150 million cubic feet. Sulphur production averaged 278 long tons per day, as against 233 long tons daily to September 30, 1968.

The Companies drilled or participated in the drilling of 76 wells in the first nine months of 1969, paying all or a portion of the costs. Eighteen oil wells, 12 gas wells, 45 dry holes and one suspension resulted from these operations. In addition, 124 wells were drilled on the Companies' lands by others at their sole cost, and the Companies are entitled to various royalties on production from the 28 oil wells and 24 gas wells completed in this way. Exploration and development work continues at a good rate and the 1970 program, including land acquisitions, is expected to involve the expenditure of approximately \$27 million.



Chairman of the Board



President and
Chief Executive Officer

Calgary, Alberta
November 12, 1969

CENTRAL-DEL RIO OILS LIMITED

CONSOLIDATED STATEMENT OF INCOME

	Third Quarter		First Nine Months	
	1969	1968	1969	1968
Income:				
Operating revenues	\$7,667,407	\$7,703,374	\$24,945,902	\$24,968,077
Other — fees, investments and miscellaneous	226,735	299,226	606,347	634,858
	<u>7,894,142</u>	<u>8,002,600</u>	<u>25,552,249</u>	<u>25,602,935</u>
Expenses:				
Administrative	308,931	280,883	955,612	907,346
Production	1,233,651	1,100,904	3,447,970	3,129,386
Interest and financing	410,771	132,732	865,758	305,797
Depletion and depreciation	2,109,710	1,780,163	6,577,034	5,429,558
	<u>4,063,063</u>	<u>3,294,682</u>	<u>11,846,374</u>	<u>9,772,087</u>
Income before income taxes	3,831,079	4,707,918	13,705,875	15,830,848
Provision for income taxes				
Current (reduction)	—	(220,063)	—	753,033
Deferred	1,003,004	1,629,742	3,954,486	4,818,150
	<u>1,003,004</u>	<u>1,409,679</u>	<u>3,954,486</u>	<u>5,571,183</u>
Net Income	<u>\$2,828,075</u>	<u>\$3,298,239</u>	<u>\$ 9,751,389</u>	<u>\$10,259,665</u>
Cash generated from operations	\$5,940,789	\$6,488,081	\$20,282,909	\$21,260,406
per share	20¢	21¢	67¢	70¢
Net income per share	9¢	11¢	32¢	34¢
Cash dividend paid } (CDR and CPOG* per share } combined)	—	—	4,174,764	3,740,750
per share (CDR)	—	—	14¢	12¢
Shares outstanding — Sept. 30	6,743,831	6,743,210	6,743,831	6,743,210
Issued for the outstanding shares of Canadian Pacific Oil and Gas Limited	23,708,000	23,708,000	23,708,000	23,708,000
Total shares	<u>30,451,831</u>	<u>30,451,210</u>	<u>30,451,831</u>	<u>30,451,210</u>

* { CDR - Central-Del Rio Oils Limited
CPOG - Canadian Pacific Oil and Gas Limited

The statements reflect the issuance on October 16 of 23,708,000 shares to Canadian Pacific Investments Limited, in return for all of the outstanding shares of Canadian Pacific Oil and Gas Limited, as approved by the Shareholders on September 29. The accounts of the two companies have been combined on a "pooling of interests" basis, giving effect retroactively to the adjustments made in 1969 to conform the accounting practices of the Company to those of Canadian Pacific Oil and Gas Limited.

Subject to adjustment and audit at end of year

CENTRAL-DEL RIO OILS LIMITED

CONSOLIDATED FINANCIAL AND OPERATING SUMMARY

	Sept. 30 1969	Sept. 30 1968
Financial:		
Current assets	\$ 10,607,698	\$ 8,005,257
Fixed assets — net	144,334,275	126,242,642
Other assets	2,331,977	2,513,809
	<u>\$157,273,950</u>	<u>\$136,761,708</u>
Current liabilities	8,479,857	13,065,459
Long term debt	16,448,434	498,338
Unapplied rentals	201,176	149,204
Deferred income taxes	35,331,766	30,422,342
Shareholders' investment	96,812,717	92,626,365
	<u>\$157,273,950</u>	<u>\$136,761,708</u>

	Third Quarter		First Nine Months	
	1969	1968	1969	1968
Production:				
Net oil and liquids — bbls.	2,294,544	2,149,355	6,629,224	6,503,337
daily average — bbls.	24,941	23,363	24,282	23,735
Natural gas — Mcf	12,741,136	8,690,350	41,492,666	32,586,272
daily average — Mcf	138,491	94,460	151,987	118,928
Sulphur — long tons	26,391	19,382	75,840	63,923
daily average — long tons	287	211	278	233

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	First Nine Months	
	1969	1968
Source of Funds:		
Cash generated from operations	\$20,282,909	\$21,260,406
Bank loans	17,400,000	—
Miscellaneous	606,689	708,728
	<u>38,289,598</u>	<u>21,969,134</u>
Application of Funds:		
Capital expenditures:		
Lands, leases and well costs	19,389,439	15,693,844
Plant and equipment	1,021,219	1,408,373
	<u>20,410,658</u>	<u>17,102,217</u>
Instalments on bank loans	1,949,700	—
Miscellaneous	583,507	1,251,069
Payment of dividends	4,174,764	3,740,750
	<u>27,118,629</u>	<u>22,094,036</u>
Increase (decrease) in working capital	11,170,969	(124,902)
	<u>\$38,289,598</u>	<u>\$21,969,134</u>